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SUBJECT: AMBASSADOR DISCUSSES NABUCCO, EXPORT CONTROLS,
DOHA AND ERP WITH MINISTER OF ECONOMICS BARTENSTEIN

REF: A) STATE 15811 B) STATE 14071

Classified By: Ambassador Susan R. McCaw for reasons 1.5 (b)
and (d)

Summary

¶1. (C) During a February 8 meeting with Minister of Economics Martin Bartenstein, the Ambassador thanked the GoA for its cooperation on export controls, but asked the GoA to remain vigilant about Iranian proliferation activities. Bartenstein told the Ambassador that Turkey remained the most difficult piece of the Nabucco gas pipeline puzzle, while Russia rightly fears Nabucco as a competitor. The Ambassador warned that the USG would not support development of the pipeline, should Iranian gas become part of Nabucco given the current political situation in Tehran. With Doha focusing on "agriculture, agriculture, and agriculture," Bartenstein said Austrian business remains "reserved" in its support of a successful outcome. The Ambassador raised the prospect of revamping the European Recovery Program (ERP) to reflect today's opportunities and challenges. Bartenstein promised to raise the possibility of refocusing the ERP's goals with his cabinet colleagues. End Summary.

Export Controls and UNSCR 1737

¶2. (C) Ambassador thanked Bartenstein for the GoA's excellent collaboration with the embassy on export control matters, particularly cooperation on thwarting efforts by Iran to obtain sensitive materials. Drawing from ref B points, the Ambassador underlined that the international community should remain vigilant to ensure that it implements UNSCR 1737 in its entirety and in an effective manner. Ambassador noted that Iran may try to circumvent the sanctions by diverting its nuclear proliferation efforts through Iranian entities, which are not subject to UNSCR ¶1737. The USG is therefore asking its partners to re-evaluate its overall trade relationship with Iran. The international community needs to keep up the pressure on the Iranian regime.

Nabucco: Ambassador Warns of Iranian Option

¶3. (C) Ambassador praised Austria, particularly the oil and gas company OMV, for leading the way to develop the Nabucco gas pipeline. The project would help diversify Europe's energy supplies and enhance its energy security. However, the Ambassador noted that the USG could not support Nabucco, if the project opts to include Iranian gas given the current political situation.

¶4. (C) Bartenstein said he had just met with OMV CEO

Wolfgang Ruttenstorfer to discuss Nabucco. OMV plans to make a final decision to move forward with Nabucco by the end of 2007. According to Bartenstein, the European Commission (EC) fully supports the project and the EC plans to nominate an EU Coordinator for Nabucco in the near future. Bartenstein said that Turkey, in OMV's view, remains the biggest obstacle, because it is trying to assume a role beyond that of a transit country. Bartenstein commented that Russia views Nabucco as a competitor, "which is exactly why we launched the project."

Doha Round: "Agriculture, Agriculture, Agriculture"

15. (C) Turning to Doha (ref A), Ambassador stressed the importance for global economic growth to conclude a successful Doha Round. Bartenstein said that the discussions on the margins of Davos were not particularly encouraging. However, he added that there is a rumor that USTR Schwab and Commissioner Mandelson discussed specific numbers at Davos -- "17 and 4." The USG would agree to reduce its farm subsidies to \$17 billion over five years and the EU would reduce its list of sensitive products from 8 to 4. Bartenstein lamented that the Austrian business community remains "reserved." In Bartenstein's view, Doha had unfortunately become "agriculture, agriculture, agriculture."

Re-tooling the European Recovery Program

16. (U) Ambassador also raised the idea of re-tooling the European Recovery Program (ERP) to better face today's challenges and opportunities. Increased academic exchanges and enhanced programs with Balkan nations are two

possibilities. The Ambassador stressed that the USG remains open to suggestions and therefore wants to solicit input from the Austrian Government and Austrian stakeholders on how to move forward. The 60th anniversary of Marshall's speech in June could be an opportunity to launch a new, modernized ERP.

17. (U) Bartenstein noted that the ERP, through revolving loans to small- and medium-sized enterprises, had contributed enormously to Austria's post-war recovery. He agreed that the USG and GoA should "do something" beyond holding a ceremony in June. Bartenstein promised to raise the issue with his cabinet colleagues.

McCaw